The Evolution of National Retail Chains: How We Got Here
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A ubiquitous feature of the U.S. retail industry is the growth and dominance of large, national chains in the retail industry. The best known is WalMart but large, national chains in many different retail sectors have become dominant. Jarmin et. al. (2005) document the increasing dominance of large, national chains and their impact on the size distribution and firm turnover rates in retail trade. Foster et. al. (2005) show that virtually all of the productivity growth in the U.S. retail trade market over the 1990s is due to more productive entering establishments affiliated with large, national chains displacing much less productive exiting establishments that are "mom and pop" single-unit establishment firms. An open question to explore concerns the factors that prompted these dynamics and in turn the factors that led some national chains like WalMart, Starbucks and Olive Garden to succeed dramatically relative to other national chains. Holmes (2005) explores some of the issues in exploring the dynamics of the location of WalMart establishments in the U.S.

We build on this literature by following the paths of large, national chain retail firms from 1977 to 2002 using establishment and firm-level data from the Census of Retail Trade and the Longitudinal Business Database. We begin by exploring the paths to success of the dominant national chains in 2002. In particular, we look for patterns in the geographic expansion, size, transition from privately-held to publicly-owned, worker and capital mix for the firms that came to dominate the retail trade industry over this twenty-five year period and ask how they differ from those that failed.

Not all retail industries are alike, there is likely to be a range of chains' shares of activity across industries. Furthermore, it is clear that a company such as WalMart uses a very different business model than does McDonald's. Besides the obvious differences in establishment size, there may also be important differences in geographic expansion patterns, their employment growth rates and number of establishments. We will attempt to identify factors that may help explain why some sectors, such as grocery stores, have long been dominated by a few major chains while others, such as automobile dealerships, are still dominated by smaller firms. Another major difference among national retail models is the use of franchising. While franchising may be more common in some retail sectors (gasoline stations) than others (department stores), there is also a great deal of variation within sector. For example, many restaurants chains, like McDonalds and Denny's are franchises but others like the Olive Garden are not. While our data do not allow us to easily separate franchised businesses from company-owned branches, we will attempt to isolate and examine them to the extent possible and take advantage of the variation across detailed sectors in the extent of franchising.